



**No. 52 / 2012**

**Monetary Policy Committee's Decision on 17 October 2012**

Mr. Paiboon Kittisrikangwan, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting today as follows.

The overall global economic outlook remained weak, although further monetary policy easing in major economies helped to support global financial market sentiment and latest indicators pointed towards some improvements in US housing and labour markets. Weak global demand had weighed more heavily on Chinese and regional economies than expected. Going forward, a more moderate growth outlook for the Chinese economy could dampen Asian exports further. At the same time, fiscal risks in the US and practical implementation challenges to the resolution of euro debt crisis posed significant risks to the global economic outlook.

The Thai economy continued to expand in the third quarter, although the impact of softer global demand on exports and export production had become more apparent. The MPC assessed that the global economy would gradually improve next year, but the substantial degree of uncertainty surrounding the outlook could hamper exports in the period ahead. Domestic spending and private investment outlays continued to be robust, though investment moderated as flood-related expenditures tapered off. Credit growth to the private sector remained high and warranted close monitoring, while inflationary pressure stabilised at an acceptable level.

With upside risk to inflation contained, the majority of MPC members deemed that monetary policy easing was warranted to shore up domestic demand in the period ahead and ward off the potential negative impact from the global economy, which remained weak and fragile. The MPC therefore voted 5 to 2 to reduce the policy rate by 0.25 percent, from 3.00 percent to 2.75 percent per annum, effective immediately. Two members voted to maintain the policy rate at 3.00 percent per annum deeming the current growth momentum to be adequate and that further policy action could await greater clarity in the economic outlook.

Bank of Thailand

17 October 2012

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